

Empirical Paper

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Integration theories: A review of selected political and economic concepts

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Abstract:

There are a number of integration theories based on different knowledge domains. Whatever their conceptual and analytical focus are, all these theories aim to find and provide a reliable explanation based on intelligent, perceivable, and reliable evidence of integration. Most concepts in social sciences do not have the commonality of understanding and can even be context- or culture-specific. As a result, there is no one universal perception of integration. Hence, the aim of the article is to revisit and systemize the knowledge of integration theories in political and economic terms. The research methods applied in the article include literature review and comparable analysis. The article is structured into three parts. First, the political theories of integration are elaborated upon. Second, the economic integration theories are examined, focusing on the traditional and new economic integration theories, to proceed finally to the presentation of the economic integration theory for developing countries.

Keywords: integration theory of developing countries, new economic integration theories, political theories of integration, traditional theories of economic integration

JEL Classification: F02, F13, F15

1 Introduction

Integration theories present a macroscopic view of the dynamics and consequences of integration. In its early days, “integration theory” was equivalent to political science, theorizing on the European Community (EC), and neofunctionalism was the theory of European integration. Since then, theorizing has strongly diversified. On one hand, neofunctionalism has been rivaled by liberal intergovernmentalism in political science theories. On the other hand, theories of integration have been complemented by theories of European politics and policies.

Currently, there are a number of integration theories based on different knowledge domains. The theory of integration has been investigated by, among others, Haas [1958, 1960, 1961, 1964, 2004, 2006], Lindberg [1963, 1967], Burgess [1991, 2009], Moravcsik [1993, 1998, 2008], Wessels [1997], Niemann [1998, 2006, 2012], Diez and Wiener [2009], Schimmelfennig [2010, 2018], Kurtz and Swartz [2011], Börzel [2013], and Wiener et al. [2018]. More recently, studies on (European) integration theories include, among others, Hooghe and Marks [2019], Kuhn [2019], Czaputowicz [2020], and Saurugger [2023]. The European integration theory does not compromise a single, homogeneous research agenda, but encompasses a wide range of theoretical approaches, which differ regarding their epistemological underpinnings, ontological assumptions, and analytical focuses. Some of them attempt to conceptualize the organizational nature of an integration

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institution, whereas others focus on theorizing the nature of integration. There are also theories that address particular aspects of the functioning of integration institutions, especially policy and decision-making. From the economic perspective, integration theories attempt at explaining the benefits and costs of economic integration, that is, creating customs unions and economic integration models. Whatever the conceptual and analytical focus of such practices is, all these theories aim to find and provide a reliable explanation based on intelligent, perceivable, and reliable evidence of integration. But in this search for knowledge, the ways of arriving at it may be different. In other words, theories, as distinct knowledge domains, allow space for the theoretical diversity as well as diverse methodologies and approaches to be pursued. Most concepts in social sciences do not have the commonality of understanding and could even be context- or culture-specific. Therefore, there is no one universal perception of integration. Hence, the aim of the article is to revisit and systemize the knowledge on integration theories. The author makes an attempt to investigate, discuss, and assess the existing theories of integration in political and economic terms. The research methods applied in the article include literature review and comparable analysis.

The article is structured into three parts. The first part emphasizes the category of political integration, discussing political theories of integration, that is, federalism, functionalism, neofunctionalism, and modern mainstreams in political science theories. The second part presents economic integration theories, examining the traditional and new economic integration theories to proceed, finally, to the explanation of the economic integration theory for developing countries.

2 Political theories of integration

The first theories of integration in a political sense have their roots in the theories of social contract. In that sense, the social contract could be identified with integration, but on the individual level. The subjects of integration were the individuals, which limited their freedom in favor of a newly established political community. This kind of integration was researched by several philosophers such as Hobbes, Locke, and Rousseau. During the same period, Kant [1917] went a step further and provided the basis for global integration in a political sense, proposing the idea of a global federation that consists of republics that delegate their sovereignty to the upper state level and achieve global integration in a political sense. However, in the concept of integration in a political sense, various forms and interpretations of integration can be found, which are discussed in this part of the article.

2.1 Federalism

In the literature, different approaches to the concept of federalism can be found. For example, Kinsky [1979] argued that federalism can (1) describe the theory of integration; (2) be interpreted as a theory of decentralization; (3) present a social model reflecting an active participation of citizens in the political life; and (4) result from the human nature (integral federalism). In turn, Dosenrode [2018] considers federalism in two ways: (1) as a politico-ideological theory of action; and (2) as an academic theory of regional integration. In the context of the European Union, Burgess [2009, p. 30] understands federalism, as the “application of federal principles to European integration, where the term integration refers to the sense of a coming together of previously separate or independent parts to form a new whole.” In this sense, two main strands of federalism after World War II are distinguished – federalism by instalments and democratic radicalism, represented by Monnet and Spinelli. The fundamental difference between these two approaches was that according to Monnet, the ultimate goal of political integration was implicit, and it should be realized through gradual integration. Spinelli, in turn, wished Europe to become federalized as soon as possible.

It is worth emphasizing that in the literature two concepts are distinguished – federalism and federation. Although there is a consensus that federalism leads to federation, there is a firm distinction between them. Namely, the former is identified as the original and driving force of the latter. As King [1982,

p. 76] argued, while it is possible to have federalism without federation, “there can be no federation without some matching variety of federalism.”

2.2 Functionalism

Mitrany [1943, 1966, 1975] and Sewell [1966] refer to two important ideas in the functionalist theory – the benefits and the durability of community formed as a basis of functional activity. One such benefit is peace. From the experience of World War II, it is seen that the attempts to settle peacefully the relations among states failed. Hence, researchers envisage the solution in the creation of an appropriate structure of an international community, which would prevent conflicts.

Functionalists, in their view, refer largely to the concepts of federalists. Thus, in functionalism, the concept of integration is based on several assumptions, such as the need to distinguish between integration as a state and as a process and the need to gradual learning of the mutual cooperation among states. The latter conditions the development of the Deutsch [1954] psychological community (“we feeling”) in the sphere of interests, identity, and sense of sovereignty, to which functionalists attached particular importance.

Moreover, in functionalism, integration may be described using the phenomenon of “spill-over,” which means that initiating the cooperation in one field creates the demand for cooperation in other areas. Monnet, whose vision of integration was based on the spill-over effect, believed that creating the integrating ties in the sector of coal and steel within the European Coal and Steel Community (ECSC) will enable further development of integration in other sectors.

Because of the fact that the potential for cooperation is greatest in the sphere of the economy, this is the economy from which integration should be started. Therefore, the emphasis should be put on economic integration, on the creation of the constantly deepening network of international ties on the basis of the existing cooperation. Mitrany [1943] stressed that the political elements should be separated from economic spheres of cooperation and should act as a self-driving function of economic integration.

2.3 Neofunctionalism

The *acquis* of functionalism has been developed by neofunctionalism, which belongs to the theories of regional integration. The theory was first formulated in the late 1950s and early 1960s, preliminarily through the work of Haas [1958, 1960, 1961] and Lindberg [1963] in response to the establishment of the ECSC and the European Economic Community (EEC). The original theory of neofunctionalism was modified by, among others, Lindberg and Scheingold [1970, 1971], Schmitter [1969], Niemann and Schmitter [2009], and Schmitter and Lefkofridi [2016].

It is argued that five assumptions of neofunctionalism encapsulate the driving forces behind the progress of integration. First, the presence of rational and self-interested social actors [Haas 1970], who possess the capacity to learn and change their preferences, is assumed. Not masses of people, but interest-driven national and supranational elites, who recognize the limitations of national solutions and shift their expectations, loyalties, and activities toward supranational institutions, are the key engine for the development of political integration. Second, in neofunctionalism, particular importance is attached to institutional structures and the transfer of decision-making from national governments to supranational institutions. These institutions gain increasing authority and legitimacy as they are becoming the sources of policies fulfilling the demands of social actors. Third, the behavior pattern of elites in integration becomes the source of a new political system, requiring specific decision-making and the combination of institutional structures at the national and community levels, that is, a “supranational” style of decision-making [Haas 1964, p. 66].

The theory of neofunctionalism has been widely used for the interpretation of European integration, combining the sphere of economic integration with the creation of political supranational structures. The theory emphasizes the principle of gradual integration based on the spill-over principle and simultaneously

creates the elements of the political theory allowing to incorporate the institutional issues to the analysis of integration [Niemann, 1998, 2006, 2012]. It also stresses the role of supranational authorities (e.g., officials, judges), who are the engine of the European integration [Lindberg and Scheingold, 1970; George, 1994].

2.4 Modern mainstreams in political science theories

The modern theory of integration attempts to expand the *acquis* of neofunctionalism by new spheres, out of which two are of particular significance: the trajectory of the development of integration and the intergovernmental cooperation as the element of European political organization.

Original neofunctionalism assumes that integration is gradual and automatically driven by the mechanism of functional and political spill-over, which is associated with a linear progress toward a higher degree of integration and a greater impact of supranational factors. Consequently, a question arises of whether the progress of integration is a constant movement toward federation. If so, how periodical crises and changes in integration projects occurring in different periods can be explained. The modern theory of integration addresses these issues, formulating models/trajectories of the integration dynamics. For example, Wessel [1997] elaborated a model called the fusion thesis, which provides the explanations of the course of EU integration. In the process of the fusion, three phases can be distinguished: (1) Europeanization, understood as a permeation of the supranational into the national and the sub-national, which contributes to a growing number of national actors participating in the EU political sphere, blurring the borders between the EU and national areas; (2) national fusion, implying the growing reciprocity of influence between supranational and national institutions, which ultimately leads to an increase in exchanges between various levels of governance and increased sharing of responsibilities; and (3) convergence, described as a gradual process of institutional, procedural, and behavioral innovations and adaptations to the EU decision-making by national institutions [Rometsch and Wessels, 1996; Miles, 2008].

The second mainstream of the modern thought of integration puts an emphasis on the element of confederation, connected to various forms of intragovernmental cooperation. Liberal intergovernmentalism [Moravcsik, 1993, 1998, 2008; Moravcsik and Schimmelfenning, 2009] is related the neo-functional idea about the significance of international bargains for the dynamics of integration, thus, referring to the assumption that the European system requires constant compromises and negotiations among states or mediations within supranational institutions. However, the emphasis is put on the phenomenon (rather neglected in neofunctionalism) of shaping national preferences of member states, which in fact, rarely fully converge. Thus, to explain the outcomes of international negotiations among member states with different national preferences, in liberal intergovernmentalism, a bargaining theory of international cooperation is deployed. According to this theory, the results of international negotiations depend on the relative bargaining power of the actors.

Due to the fact that the European cooperation means an eminent confrontation of its own preferences with the preferences of member states, an important task of integration is the creation of institutional framework, enabling intergovernmental bargains and coordination of national operations. Hence, as Moravcsik and Schimmelfenning [2009] argue, international institutions are perceived as instruments to cope with unintended, unforeseen, and often unwanted consequences.

3 Economic integration theories

In light of the theory of economic integration theory, it is interpreted as a form of economic cooperation aimed at eliminating economic borders among states and creating a platform to unite national economics. Economic integration theories were researched and developed by, among others, Viner [1950], Tinbergen [1954], Scitovsky [1958], Balassa [1962, 1965], and Machlup [1977], and contemporarily by Molle [2001], Pelkmans [2001], Baldwin and Wyplosz [2009], Grimwade [2013], and Pomfret [2021]. The theory of economic integration is believed to have undergone two stages of development, each of which addresses the economic and political issues relevant for its time. The first stage includes the traditional theories

of economic integration, which focus on the interpretation of the possible benefits of integration – the so called “static analysis.” The second stage, referred to as the “dynamic analysis,” embraces the new economic integration theories, elaborated in the altered economic conditions and trade environment.

3.1 Traditional economic integration theories

The first study on the benefits of economic integration, analyzed critically from the purely economic perspective, is Viner’s [1950] seminal book entitled *The Customs Union Issue* in which the author claimed that customs unions do not necessarily result in gains to the members, although they do eliminate some tariffs. To help understand this ambiguity, Viner presented a static analysis of economic integration, which distinguished the effects of trade creation and trade diversion in customs unions. The first effect was perceived as creating new trade flows between member states as a result of more effective allocation of resources and better labor division. In turn, trade diversion was understood as replacing trade with more effective external suppliers with less efficient member states. Moreover, the author pointed out that trade creation increases a country’s welfare, whereas trade diversion reduces it. Discussing the role of the customs union in increasing economic welfare, Viner [1950, p. 135] claimed that “customs union is only a partial, uncertain, and otherwise imperfect mean of doing what a world-wide non-discriminatory reduction of trade barriers can do more fully, more certainly, and equitably.” Viner’s theory practically means that countries will be highly motivated to integrate, if integration brings more benefits than costs, that is, when integration leads to more trade creation than trade diversion.

The successive analysis of economic integration effects allowed to distinguish two additional effects of customs unions – the production effect and the consumption effect [Lipsey, 1970]. In line with the former, higher-cost local products are replaced by cheaper imports from a partner country, while the latter assumes that the consumer potential of the society in a given member state grows as local prices decrease to the price level of the customs union. An increase in both consumer demand and imports underly the concept of trade creation, which has a production aspect, when replacing local production with imports and a consumption aspect, when relying on imports to satisfy increased consumer demand.

Lipsey [1957, 1960] and Krauss [1972] argued that while the production effect of the union was taken into account by Viner, the consumption effect was not considered by the author. According to Lipsey, Viner’s conclusion that trade diversion is a negative phenomenon implies a welfare judgment, whereas this implication requires the combination of the two above-mentioned effects, and not the only one. Although Viner’s dichotomy of trade creation and trade diversion effects is fundamental to classify changes in the production effect, it cannot be applied to make assumptions concerning the economic welfare of customs unions.

Lipsey [1960], in his further research, concluded that the distinction between the production effect and the consumption effect of customs unions is not fully satisfactory. The author claimed that Viner’s analysis emphasized substitution in production, but undermined substitution in consumption. Lipsey pointed out that this classification is misleading because consumption changes will stimulate production changes, implying another distinction between inter-country substitution and inter-commodity substitution. The former is when one country is substituted by another in line with Viner’s analysis of trade creation and trade diversion effects, whereas the latter occurs when one commodity is substituted by another as a result of the relative price change.

Subsequent studies on the issue of the production and consumption effects revealed that trade diversion may also be welfare-increasing. It occurs if both the production and substitution effects are taken into consideration, in the sense that the welfare losses resulting from the diversion to a higher-cost supplier country are more than outweighed by the welfare gains from the reduced process to consumers due to the elimination of tariff on imports, which results in an increased consumer surplus, irrespective of the fact whether the increased imports were from a least-cost supplier [Cooper and Massell, 1965; Johnson, 1975; Pomfret, 1997].

Viner’s static analysis was a driving force for numerous research, still based on the trade creation-trade diversion approach, which subsequently sought to address different aspects of integration effects and

to determine specific conditions under which customs unions would either improve or worsen economic welfare. All of these studies concluded that no one-sided answer could be given to this issue.

The dissatisfaction with the trade creation-trade diversion classification was reflected in studies by Lipsey [1960], Kemp [1969], Kemp and Wan [1976], Riezman [1979], Lloyd [1982], and Wooton [1986], in which the authors introduced a new concept – the terms of trade-volume, under which the impact on a regional trade agreement (RTA) can be recognized by its effects on both the terms of trade (prices) and the terms of trade volumes. This approach of terms of trade-volume utilizes, instead of Viner's partial equilibrium, a general equilibrium analysis, which reflects the impact of customs union on individual countries, where integration occurs, instead of on the world's welfare.

Concerning the terms of the trade-volume of international trade, the contributors to Viner's theory concluded that a customs union is more likely to produce welfare gains the higher the proportion of trade of the given country with its trading partner in the union and the lower the proportion with the rest of the world is [Lipsey, 1960; Spraos, 1964; Bhagwati, 1971]. Moreover, these countries are more probable to benefit from economic integration that make a high proportion of their total expenditure on domestic trade, that is, the lower the volume of international trade as a percentage of the countries' GDP.

3.2 New economic integration theories

Already in the 1960s, it became obvious that the static analysis of trade creation and trade diversion is not sufficient and cannot fully assess the impact of integration on economic welfare. Consequently, a new instrument to analyze this effect – a dynamic effects analysis – was introduced, which allowed to better explain the economic rationales behind the establishment of customs unions and economic integration models. Balassa [1962] and Cooper and Massell [1965] were the first researchers to introduce the concept of the dynamic effects of economic integration, which embraced large-scale economies and technological change. Additionally, it addressed the impact of integration on market structure and competition, productivity growth, risk and uncertainty, as well as investment activity. Schiff and Winters [1998] perceived the dynamic effects of economic integration as anything that affects the rate of medium- and long-term economic growth of the member states participating in the integration agreement.

The dynamic analysis of the effects of economic integration is based on the features of the contemporary free economy. Therefore, with regard to their deeper scope, dynamic effects have a more significant impact on proceeding economic processes in comparison to static effects. In principle they embrace, among others, an increase in investment expenditure; a sustainable increase of demand; consolidation of production and an increase of its specialization; an improvement of the organization and management of production and production technology; rationalization of territorial distribution and utilization of resources; an increase in production efficiency; and the creation of economic growth [Corden, 1972; Balassa and Stoutjesdijk, 1975; Baldwin et al., 1995; Panusheff, 2003]. As Marinov [2014] argues, the only obvious drawback of the dynamic analysis of the effects of economic integration, in contrast to the static one, is the fact there is practically no fully reliable method for quantitative assessment of these dynamic effects.

4 Theories of economic integration for developing countries

In most cases, theories of economic integration and its effects – both the dynamic and static ones – are believed not to be fully applicable to integration agreements among developing and least developed countries. Already, Balassa [1965] claimed that the theoretical literature of economic integration preliminarily addresses the issue of the customs union among industrialized countries. Their problems are not that much related to economic development, but more to adjustments in production and consumption arrangements. Consequently, many studies rejected the traditional theory of the customs union, arguing that Viner's analysis of economic integration has limited relevance or is even irrelevant for developing countries. Consequently, new theories of economic integration adjusted to the special characteristics and

needs of developing countries emerged in the literature [Allen, 1961; Bhambri, 1962; Mikesell, 1965; Kahnert et al., 1969; Andic et al., 1971].

The traditional theory of economic integration concerns numerous factors to conclude that net static effects determine the welfare effects of integration, which influences the motivation of countries to participate in integration. In the case of developing countries, these factors and effects can be divided into three main groups: (1) general economic; (2) market-related; and (3) trade-related.

The general economic factors and effects of integration agreements can be analyzed from the perspective of economic development, macroeconomic coordination policy, and the size of the participating countries. Balassa and Stoutjesdijk [1975] and Abdel Jaber [1971] argued that, for developing countries, economic integration should be treated as an instrument for their economic development, including poverty reduction, support for the facilitation of healthcare and education systems, as well as regional security, and not so much as the customs or trade policy. Additionally, Kahnert et al. [1969] and Hirschman [1971] emphasized the significance of the coordination of macroeconomic policies in developing countries, arguing that for the durability of RTAs, it is necessary for integrating countries to unify their internal monetary and foreign exchange policies, which could be even more important for promoting the reciprocal trade exchange than customs preferences themselves. The traditional integration theory assumes that the benefits of integration are directly proportional to the size (in economic terms) of participating countries. Balassa [1962] argued that integration gains also depend on the rate of economic growth of integrating countries. Thus, as developing economies tend to grow at higher rates than the already developed ones, the benefits of integration for them would be even bigger. Kreinin [1964] believed that potential gains from economic integration can be more visible for small- and medium-sized member states, particularly if integration proceeds between a small (developing) and a large (developed) country because there is more demand for its exports. However, the opponents to this approach claim that the disproportions of gains in favor of the larger country is inevitable, and the small country is an unequal partner, forced to adjust to the economic and price structure relevant for the larger member state.

Since most developing countries generally specialize in the production of primary products and the economic surplus gained from this type of production is rarely relocated and efficiently invested in other sectors, they usually advocate the policy of diversification and import substitution to accelerate economic growth [Hosny, 2013]. Additionally, they can achieve the balanced growth by increasing the size of the market, benefiting from the economies of scale, and expanding their inter-industry transitions, that is, through economic integration.

Previously, developing countries were well motivated to integrate the expecting benefits from trade diversion and import-substituting industrialization, then they sought motivation for economic integration in the economies of scale, investment creation, and technology transfer. However, nowadays the integration motives of developing countries go beyond these previous arguments to include the peruse of trade liberalization and deregulation policies as part of their stabilization programs agreed on with international institutions [Rueda-Junquera, 2006; Hosny, 2013; Marinov, 2014]. This recent approach is aimed at making economic integration policies compatible with and complementary to other policies to promote international competitiveness. Hence, most developing economies perceive economic integration as an instrument for a greater competitiveness on the world markets.

As far as trade-related factors and effects of economic integration are concerned, Demas [1965] and Sakamoto [1969] claimed that trade diversion may be beneficial for developing countries. First, integration increases the size of the market and enables the reduction of costs through the economies of scale. Second, import substitution over a wider area will allow the integrated region as a whole to spend more foreign currency for imports of capital goods, thus contributing to an increase in investment and economic growth. Furthermore, owing to trade diversification, consumers can purchase imported goods at lower prices after the removal of tariffs, thus increasing consumer surplus. However, as Elkan [1975] indicated, these effects should be weighed against the loss in the tariff revenues in this process, on which most of the developing countries rely, as the main source of the whole government revenues.

Another important aspect of integration among developing countries regards the initial tariff levels. Already, Meade [1955] argued that the higher the initial rates of tariffs between integrating countries, the

higher the expected gains of integration will be. In the case of the majority of developing countries, national tariffs are rather high, mainly because of their striving to increase revenues and/or to protect national production.

There is a widespread view that one of the best indicators of the success of economic integration is an increase in the share of intra-regional trade in the total trade of member states. Irrespective of the fact that it is a significant aspect of integration, it should not be recognized as a means to its end. Namely, industrial development, appropriate infrastructure, and technological progress are equally important factors to consider [Inotai, 1991]. Additionally, a growth in regional trade may result from trade diversion from more efficient and competitive non-member states. Thus, it can be recognized as positive, provided that it is related to improving the world competitiveness as a whole.

In considerations on factors and effects of integration processes among developing countries, transport infrastructure should also be taken into account. Transport costs reduce the potential benefits of trade integration for member states; hence, distance has an impact on inter-sectorial trade. It is particularly important for developing economies because of the fact that countries with a comparable GDP per capita are more dependent on intra-sectorial trade, and transport infrastructure in developing countries is in a rather poor condition.

Analyzing the issue of economic integration in developing countries through the prism of the static and dynamic approach, Sakamoto [1969] and Abdel Jaber [1971] claimed that more attention to dynamic rather than static effects should be paid to assess integration. The traditional economic integration theory, analyzing the static effects of the resource allocation, implies relatively small gains for developing countries; therefore, motivation for concluding integration agreements should be preliminary sought in the dynamic analysis of economic integration and the effects it entails [Rueda-Junquera, 2006]. Moreover, the traditional economic integration theory is heavily based on the neoclassical assumptions of full employment, perfect competition, constant returns of scale, and perfect mobility of production factors, thus confining to the study of the static effects of economic integration, whereas the dynamic effects of economic integration may lead to higher rates of growth and the exploitation of unused economic potential [Demas, 1965; Abdel Jaber, 1971].

More complex theories, which pursue economic integration among developing countries, are the training ground theory and the package approach. The first theory is based on the assumption that during the first phase of integration among developing countries, international competitiveness can be gradually improved by relying on the regional market in the initial phase of industrialization. Free trade among member states, together with the frequently high common external tariff on imports from the third countries, should ensure temporary protection of infant industries and a sufficiently large market for future industrial development. This process referred to as “import-substituting industrialization” will secure sufficient time for the development of industrial sectors in developing member states [Rueda-Junquera, 2006]. The openness to the world markets may proceed at a later stage after developing countries have reached an appropriate level of efficiency and technical development. Therefore, economic integration among developing countries may be recognized as a transitional period toward open economy and competition with the third countries after a short period of training. In turn, the package approach strives at facilitating integration and increasing the stability of an integration agreement, by ensuring that each member state is in charge of the implementation of a single integration project within a common package of projects. The elements covered by such a package of projects may include transport, communication, public goods, education, science, agriculture, and the mining industry [Balassa and Stoutjesdijk, 1975].

5 Conclusions

The analysis of the theoretical concepts of integration from the political and economic perspectives allowed for drawing several conclusions. According to the theory of federalism, integration is based on the centralization of particular functions at the federal level and decentralization at the regional and local levels to ensure the full participation of a unit. Functionalists highlight the fact that interests are

the key force driving the society, whereas economics is the main and the most effective means leading to integration. Neofunctionalism, in turn, puts an emphasis on the institutional arrangement and political organization of integration and not only, as functionalism, on social structures and community. Consequently, neofunctionalism is closer to the political theory, whereas functionalism – to sociology. Functionalism pays greater attention to the change in civic values of the society and neofunctionalism stresses the role of political and functional spill-over. The theory of neofunctionalism, however, despite the complexity of its insights, does not fully explain all the issues of integration, including the problems of European integration. It partially results from the fact that neofunctionalism fails to predict both the EU's trajectory and the process of evolution, which are, in turn, embraced in the modern theories of integration. For example, the trajectory of the development of integration processes and liberal intergovernmentalism formulate models/trajectories of integration, emphasizing the growing significance of supranational and national institutions and the necessity of intergovernmental cooperation, simultaneously considering the specificity and differentiation of national preferences.

Together with the change in global economic conditions, new theories of economic integration have been developed, besides the traditional ones. In the traditional theory of economic integration, the trade creation-trade diversion effect is an important determinant allowing to estimate the gains of a customs union; nevertheless, the terms of the trade and volume of trade approach constitute a noteworthy alternative to the traditional methodology. The driving forces behind previous integration efforts (trade creation and trade diversion) were entirely different from the factors that have curbed the recent integration development, such as private sector participation, foreign direct investment (FDI), and an increasing role of services. In light of the dynamic analysis, the causes and effects of economic integration include, among others, an increase in investment spending, demand growth, consolidation, and an increase in the specialization of production, an improvement of the organization and management of production and production technology, rationalization of distribution and utilization of resources, as well as an increase in production efficiency, leading ultimately to the creation of economic growth.

However, the rationale behind economic integration of developing countries cannot be explained only in terms of static and dynamic effects that determine integration among developed economies. While assessing the benefits and costs of economic integration for developing countries, different aspects of their economies should be considered, such as the level of economic development, the structure of economy, production features, demand preferences, and trade regimes and policies, which are still subject to further research. It is also worth noting that while in the case of developed economies, the main rationale for economic integration comes from economic groups of stakeholders, in developing countries, integration is often initiated for political reasons and efforts, which may sometimes lead to unsatisfactory economic outcomes.

In the literature, economic integration of developed and developing countries has been studied from many different theoretical and conceptual perspectives. However, an in-depth review of studies on integration of regions embracing both developed and developing countries, which does not fit the traditional theory of integration, is worth undertaking. Namely, there is a shortage of theoretical and empirical studies on East Asia's institutionalized economic integration embodied by the recent establishment of two regional trade arrangements – the Regional Comprehensive Economic Partnership (RCEP) and the Comprehensive and Progressive Agreement for Trans-Pacific Partnership (CPTPP). Their potential and actual impact on East Asian economies and their integration have been scarcely and vaguely researched, which may be an interesting direction for future studies.

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